

P-421/CI-92-1381 ORDER INITIATING INVESTIGATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
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In the Matter of a Commission
Initiated Investigation into U S
West Communications, Inc.'s
Service Installation Intervals

ISSUE DATE: December 18, 1992

DOCKET NO. P-421/CI-92-1381

ORDER INITIATING INVESTIGATION

PROCEDURAL HISTORY

On July 22, 1992, the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) notified the Commission's Consumer Affairs Office (CAO) that it had received a complaint from a customer of U S West Communications, Inc. (USWC or the Company) alleging unreasonable delay in installing new service and that the Company had 700 new service installations pending.

On July 22, 1992, the CAO contacted USWC and was informed that there were 415 orders for new service that had not been installed within 30 days after the day the applicant desired service. Such orders are referred to in the industry and by Commission rule as "held orders". Minn. Rules, part 7810.2800. The CAO requested that USWC forward a list identifying the held orders and the reasons for the delay. The Company advised the CAO that the list would be submitted on July 27, 1992.

On August 6, 1992, USWC submitted a list of 126 held orders.

On August 21, 1992, the CAO requested an updated status report regarding the held orders reported on August 6, 1992, requested again a narrative reason for each held order and an explanation of the coded reasons supplied by the Company on August 6, 1992.

On September 23, 1992, the CAO restated its August 21, 1992 request that USWC provide an updated status report regarding the held orders reported on August 6, 1992, a narrative reason for each held order and an explanation of the codes supplied by the Company on August 6, 1992.

On September 28, 1992, USWC submitted a letter to the CAO which summarized the general reasons for the installation delays.

Between July 2, 1992 and September 29, 1992, the CAO received complaints of unduly long new service installation delays from 23 of USWC's customers.

On December 8, 1992, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Commission Authority

To meet its regulatory responsibilities to assure adequate service at reasonable rates, the Commission has been given broad authority over telephone companies. Among other things, the Commission is authorized to inspect, review, and copy the books, records, memoranda, correspondence or other documents or records of the companies it regulates and can require reports from them. Minn. Stat. §§ 216A.05 (1990) and 237.11 (1990).

Under Minn. Stat. § 237.081, subd. 1 (1990), the Commission's investigatory and remedial authority is extensive:¹

Whenever the commission believes that a service is inadequate or cannot be obtained or that an investigation of any matter relating to any telephone service should for any reason be made, it may on its own motion investigate the service or matter with or without notice,....

Following an investigation, and any other proceedings that may be necessary, the statute further provides:

[T]he commission shall make an order respecting the tariff, regulation act, omission, practice, or service that is just and reasonable and, if applicable, shall establish just and reasonable rates and prices. Minn. Stat. § 237.081, subd. 4 (1990).

In short, the Commission may order a company to perform to certain standards and can determine whether ratepayers or shareholders should be responsible to pay to achieve them.

Adequacy of Service Rule and Recordkeeping and Requirements

To promote and measure the adequacy of telephone service, the Commission has adopted several rules stating specific levels of performance. The quality of service rule related to the concern raised by the persons complaining to the Commission in this matter is Minn. Rules, part 7810.2800 which states in part:

Ninety percent of the utility's commitments to customers as to the date of installation of regular service orders shall be met excepting customer-caused delays and acts of God.

¹ In approving USWC's incentive plan, the Commission adopted an alternative to traditional rate of return regulation. This did not limit the Commission's investigatory powers regarding USWC's rates and service, but simply prevents the Commission from ordering the Company to file a general rate case during the operation of its incentive plan.

Whenever a telephone utility is unable to supply telephone service to an applicant or upgrade existing customers within thirty days after the applicant desires service, the rule also requires a utility to record certain information. The company must keep a record by exchanges showing the name and address of each applicant for service, the date of application, date service [was] desired, the class and grade of service applied for, together with the reason for the inability to provide the new service or higher grade to the applicant. Minn. Rules, part 7810.2800.

Pre-Incentive Plan Service Quality Standard and Quality of Service Reporting

The statute authorizing incentive plan regulation of utilities indicates that during the term of an incentive plan the telephone company must maintain or improve its pre-plan quality of service. Minn. Stat. § 237.625, subd. 1 (1990). In approving an incentive plan for USWC in Orders issued June 7, 1990 and September 17, 1990, the Commission required USWC to provide on-going assurances that it was maintaining pre-plan quality of service.

Regarding installation of service intervals, the Commission stated the Company's performance standard and reporting requirements as follows:

The Department recommended the current Company standard of two working days for residential installations and five working days for business installations be maintained or improved upon. The Company concurred in this standard as an objective but indicated that during historic peak periods, such as late May and early September, peaks in volume corresponding to the end and start of school may make this target unattainable.

The Commission believes this standard should be applied to the Company under incentive regulation and should be reported to the Commission on a quarterly basis. However, the Commission recognizes these services are subject to seasonal variations. Therefore, the Commission recommends such reports should be adjusted to account for seasonality. Again, the Company should provide both adjusted and unadjusted data. In addition to the data, the Company should provide an explanation for any seasonal variation in the raw data, and a description of the statistical methods utilized in seasonally adjusting the data. In the Matter of Northwestern Bell Telephone Company's, d/b/a U S West Communications, Proposed Incentive Regulation Plan, Docket No. P-421/EI-89-860, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER (June 7, 1990).

The Commission reserves judgement whether the 2-day/5-day standard referred to in the June 7, 1990 Order applies to the kinds of installation requests brought to the Commission's attention in this matter. The installation delays complained of herein involved premises not previously served and which required

significant capital expenditures by the Company to complete. If the 2-day/5-day standard does not apply to these service requests, the Company's pre-Incentive Plan rate of meeting those kinds of Orders would be the standard the Company must meet under Incentive Plan regulation. If the Company had no articulated timing standard for such installations, a reasonableness standard would apply to such service requests.

Cause for Concern

There are several things which concern the Commission in this matter:

1. The complaints forwarded to the Commission's CAO by the RUD-OAG and those received directly by the CAO raise a concern whether the Company has maintained its pre-Incentive Plan quality of service standard for installation of residential and business service as required by the Incentive Plan Statute and the Commission's June 7, 1990 Incentive Plan Order.
2. The number of complaints received also raises the question whether the Company is meeting the installation timing requirement of Minn. Rules, part 7810.2800, i.e. that the Company must keep ninety percent of the commitments it has made to customers as to the date of installation of regular service orders, excepting customer-caused delays and acts of God.
3. The Company's delayed and incomplete responses to the CAO's requests for information regarding held orders raise a question whether the Company is complying with the recordkeeping requirements of Minn. Rules, part 7810.2800 with respect to such orders. If the Company had been maintaining the information required by the rule, their response to the CAO's information request could have been prompt and complete. The CAO requested no more information than the rule required to be maintained on an on-going basis.
4. The quality of service report filed by the Company on November 6, 1992 for the Third Quarter 1992 in response to the Commission's June 7, 1990 Incentive Plan Order stated that 100 percent of its residence order-customers were filled within two working days or less during that time period and that 100 percent of the requests for service from businesses were filled within five working days. The Commission, however, has received numerous complaints about long installation delays during the same time period. This information disparity should be addressed so that the Commission can be assured that it is receiving full information from the Company on areas of potential concern.

5. In its September 28, 1992 explanation of the installation delays, USWC indicated that it had increased its expenditures in specific contracted sales and central office conversions and decreased by 23 percent the capital expenditures portion of its budget, the portion used to fund service installation operations. The Company explained that a relatively small number of customers would be affected by the decrease and stated that it was trying to do its best to prioritize its investment to benefit the greatest number of customers. The Company's explanation does not convey that it understands that in seeking and obtaining regulation under the Incentive Plan Statute, the Company has bound itself to certain priorities, including that it will maintain pre-Incentive Plan quality of service standards. The Company's response raises concerns about the Company's understanding of and commitment to that key element of Incentive Plan regulation.
6. In its June 7, 1990 Incentive Plan Order, the Commission affirmed the importance of service standard issues, stating:

...any unexplained increases in complaints will result in an investigation. Order at page 35.

The increase in customer complaints regarding installation of service delays has not been explained to the Commission's satisfaction.

7. Information compiled by the CAO in the course of this matter raises concern regarding compliance with the response and timing requirements of Minn. Rules, part 7810.1100 with respect to many complaints filed in this matter. Of concern is the Company's ability and willingness to respond in a timely fashion to complaints (Minn. Rules, part 7810.11, subp. 2) and to the Commission (Minn. Rules, part 7810.1100, subp.3) in timely fashion as required by the rule.

Commission Action

To address these concerns relating to USWC's service installation intervals, the Commission will initiate an investigation pursuant to Minn. Stat. § 237.081, subd. 1 (1990). As part of its investigation, the Commission will require USWC to provide certain information pursuant to timelines established in the Ordering Paragraphs and to cooperate with Commission Staff throughout the investigation in developing the facts and issues pertinent to this investigation.

ORDER

1. An investigation into the service installation intervals experienced by customers of U S West Communications, Inc. (USWC) is hereby initiated.

2. Within 60 days from the date of the Order initiating the investigation, USWC and interested parties are requested to address the following questions in written comments filed :
 - a. What is the relevance of the Incentive Regulation Plan standard of move/installation intervals of two working days for residence customers and five days for business customers to installations of new service or service upgrades requiring capital expenditures on the part of the Company and, perhaps, expenditures by third parties? If such installations/ upgrades are not subject to the two-day/five day standard, what timing standard currently applies to them?
 - b. What comments does the party have regarding a standard which would require that 90 percent of held orders (orders for initial telephone service or upgrades for existing customers that are not satisfied within 30 days after the date applicant desires service) be satisfied within 45 days after the date applicant desires service?
 - c. What alternative standard or method, if any, would the party propose to control the number of USWC's held orders and assure a reasonable quality of its service regarding installation intervals?
 - d. What is the long term solution to the large number of held orders the Company has been experiencing?
 - e. What comments would the party wish to share regarding any related issues?
3. Within 60 days of the date of this Order, USWC shall submit the following information:
 - a. the most recent list of orders held for greater than 30 days after the customer's desired installation date (by exchange) showing the name and address of each applicant for service, the date of application, date service desired, class and grade of service applied for;
 - b. the reason(s) for the inability to provide the new service or higher grade service to the specific applicant and all applicants generally;
 - c. USWC's priority plan for clearing held orders;
 - d. response to the question whether USWC established an internal quality review board or its equivalent to review problems with meeting installation interval standards and to suggest solutions;
 - e. USWC's proposed solution to held orders and meeting its installation interval standard;

- f. discussion of USWC's experience with held orders prior to 1984;
 - g. discussion of USWC's experience with held orders between 1984 and 1991;
 - h. discussion of the cause(s) of the large number of held orders USWC has experienced in 1992;
 - i. description of how held orders are affected by the Company's construction budget and provide information on the Company's initial 1992 construction budget and all subsequent changes affecting held orders; and
 - j. explanation of why the Company is experiencing difficulty responding to customers and the Commission regarding customer complaints within the timelines established in Minn. Rules, pt. 7810.1100 and information to indicate whether this difficulty is limited to the installation interval complaints.
- 4. Parties shall have 30 days following the filing of comments and information pursuant to Ordering Paragraphs 2 and 3 to file reply comments to those filings.
 - 5. USWC shall compile and file with the Commission quarterly reports 1) regarding the progress made in clearing all held orders, 2) on the same schedule as the quarterly quality of service reports required as part of USWC's Incentive Regulation Plan, and 3) including all unresolved held orders from the previous reports and any new held orders from the previous report; and 4) beginning with the first of these reports due on January 31, 1993 for the fourth quarter of 1992.
 - 6. The request of the Residential Utilities Division of the Office of the attorney General (RUD-OAG) for discovery rights in this matter is denied.
 - 7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)